system and their tight connection to sugar production are impressive. Clearly, local studies have much to contribute to a fuller understanding of this subject.

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Daniel Lederman. *The Political Economy of Protection: Theory and the Chilean Experience*. Stanford, Calif.: Stanford University Press, 2005. ix + 191 pp. ISBN 0-8047-4917-5, $55.00.

To anyone teaching the political economy of protection, Chile must be among the closest "natural" experiments around. This book provides a rich and very informative interpretation of Chilean trade policies that covers the period 1810–2000.

Chapter 1 reviews the contributions by economists and political scientists to the public choice approach to the determinants of protection. Contributions by the economics and political science literature are grafted to a supply-demand framework of protection, with much of the discussion focusing on the contributions to the structure and level of protection, treated separately. The discussion is kept at the right level of generality for an interdisciplinary approach, and the review is quite exhaustive in coverage. In terms of the Chilean experience, the most important insight of this theoretical overview is that macroeconomic considerations lead to "policy cycles." Thus, as emphasized by Bates, Krueger, Rodrik, and others, trade policy and other reforms that lead to strong redistributive effects are only likely to be carried out during periods of crisis when the efficiency of reforms looms large relative to the (politically) costly redistribution that accompanies these reforms.

Chapter 2 looks for evidence of trade policy cycles, whose existence was first put forth in the context of U.S. trade policies by Judith Goldstein. The objective is to see whether there is any link between the outcome openness measure (filtered and corrected for terms-of-trade variations) and the constructed dichotomous indices of trade policy changes. The detailed description of trade policy measures reveals that tariffs were first put in place to raise government revenue in the late nineteenth century, then again in 1914 prior to the rise in nitrate and copper prices during the war. Thus, over a two-century episode, the trade share in gross domestic product peaked in the period 1890–1930, before the onslaught of the Great Depression, and only recovered to its previous peak at the very end of the twentieth century.

Chapter 3 applies econometric methods to disentangle the correlates of trade policy changes. First, tests of structural breaks are carried out on the constructed openness series, yielding breaks in 1918 or 1930 depending on the method. This result is not particularly credible as an indicator of changes in trade policy since, in spite of the possibility of detecting several structural breaks, the tests fail to show a break for the post-1973 period. More interesting are the results of probit regressions that seek to explain the probability of changes in trade policy (as measured by a dichotomous indicator constructed from the detailed description of trade policy changes) in terms of the political economy elements identified in chapter 1. The results give overall support to the macro view of the political economy of protection because it is the macro crises and fiscal indicator variables that are most consistently good predictors.

Chapter 4 draws on jointly published work dealing with the remarkable period of trade liberalization under the military regime. The author emphasizes the role of ideas (the cohesion among the "Chicago boys") and the compensatory policies that accompanied the reforms. While the coverage of influential ideas and accompanying policies is good, I wanted more discussion of the difficulties associated with some of the reforms, notably of the banking sector, of the high unemployment before the period of real exchange appreciation, which was largely brought about by a misguided stabilization policy, of the debate about the large capital inflows under disequilibrium real interest rates in a liberalized financial sector, and of distributional shifts caused by prudential failures in the banking sector, details that were covered in writings at the time (such as V. Corbo, J. de Melo, and J. Tybout, "What Went Wrong with the Recent Reforms in the Southern Cone," *Economic Development and Cultural Change* 34, no. 2 [1986]: 561–87).

Similarly, the chapter is brief on the political economy of support for unilateral trade liberalization under democratically elected governments in the 1990s. Lederman rightly points out that compensation via real exchange rate depreciation was a key ingredient and that the success of earlier policy reforms was important. He also is right in emphasizing the soundness of the economic team under the Aylwin government, which successfully implemented targeted social expenditures by raising government revenues. Yet, granting that compensatory policies were important, as documented by the author, were there not other intervening factors? Were proliberalization lobbies powerful at that juncture? Was the timing of "cycles" in copper prices important for government social policies?

Anyone interested in the political economy of trade policy will find in Lederman's book a detailed and careful study of Chile's fascinating succession of trade policy episodes. The interpretation is nicely related to the major explanations offered by economists and political scientists, and a valiant effort is made at disentangling competing explanations.

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Julie Hessler. *A Social History of Soviet Trade: Trade Policy, Retail Practices, and Consumption, 1917–1953*. Princeton, N.J.: Princeton University Press, 2004. xvi + 366 pp. ISBN 0-691-11492-7, $39.50.

Julie Hessler's work is the first comprehensive history of the first thirty-five years of Soviet trade written after the opening of the Soviet Union's archives following that nation's collapse. It will, without doubt, become a standard work of reference. Hessler gives due credit to the Soviet historian G. A. Dikhtiar's three-volume work on Russian and Soviet trade published in the 1960s (in Russian). Despite the book's obvious ideological overtones, it deserves to be read alongside Hessler's work. Hessler's study is particularly interesting since it is not only a detailed history of the distribution of goods, but it also presents an interesting interpretation of the wider workings of the Soviet economic system. As Hessler agues, Soviet economic policy was caught up in a vicious circle that reproduced its own crises. Its main problem was how to regulate the exchange between the town and the country.

The Soviet organization of trade consisted of four institutional arrangements: private shops, bazaars and markets, cooperatives, and state shops. In the absence of a comprehensive network of state shops, cooperatives, with prerevolutionary origins, became a cornerstone of trade during the revolutionary period. Under the new imperatives of bureaucratic state regulation, they increased their share in trade. According to the official doctrine, cooperatives were to cater to the rural consumers, whereas state shops would take care of the urban market. More luxurious state shops and department stores